

Message Text

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DRAFTED BY ARA/BR:JSLATTERY

APPROVED BY ARA/BR:RWZIMMERMANN

OPIC/D:JOFFUTT (DRAFT)

OPIC/ID:GDMORGAN (DRAFT)

OPIC/ID:JWGURR (DRAFT)

EB/OIA:DSTEBBING

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R 180023Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EGEN, EFIN, BR

SUBJECT: OPIC INSURANCE POLICY IN BRAZIL

REF: STATE 055348 (20 MAR 74)

1. OPIC'S BOARD OF DIRECTORS REQUESTED AT ITS APRIL 14, 1975 MEETING THAT OPIC MANAGEMENT REPORT TO IT ON CRITERIA FOR RATIONING FURTHER INSURANCE COVERAGE IN BRAZIL, WHERE OPIC EXPOSURE NOW EXCEEDS 10 OF WORLD-WIDE COVERAGE. NEED FOR RATIONING IS HIGHLIGHTED BY FACT THAT PENDING OPIC APPLICATIONS FOR BRAZIL INVOLVE INVESTMENTS NOW TOTALING MORE THAN \$1.1 BILLION.

2. AT MAY 28 BOARD MEETING OPIC MANAGEMENT REPORTED TO BOARD THAT PROJECTS WOULD BE APPROVED FOR INSURANCE IN LIMITED OFFICIAL USE

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BRAZIL ONLY IF THEY MAKE SUBSTANTIAL CONTRIBUTIONS IN

THREE OR MORE OF THE FOLLOWING CRITERIA: A) AMOUNT OF DIRECT EMPLOYMENT CREATED BY THE PROJECT; B) DEMONSTRABLE IMPORTANT LINKAGE EFFECTS, UPSTREAM OR DOWNSTREAM, INCLUDING TRANSFERS OF TECHNOLOGY; C) DEVELOPMENTAL PRIORITIES OF THE BRAZILIAN GOVERNMENT INCLUDING DEVELOPMENT OF SPECIFIC GEOGRAPHICAL AREAS AND INDUSTRIES, AND THE IMPROVEMENT OF THE COUNTRY'S BALANCE OF PAYMENTS; D) US STRATEGIC INTERESTS; E) DEVELOPMENT OF PROJECTS IN

THE FOOD CHAIN; F) US EMPLOYMENT AND BALANCE OF PAYMENTS EFFECTS. IN ADDITION, OPIC MANAGEMENT WILL GIVE SPECIAL CONSIDERATION IF THE INVESTOR IS A SMALL BUSINESS WITHIN OPIC'S DEFINITION OF THAT CATEGORY.

3. PROJECTS WHICH SATISFY THREE OF ABOVE CRITERIA MAY BE INSURED, BUT THE AMOUNT OF INSURANCE AVAILABLE IS LIMITED DUE TO EXISTING OPIC EXPOSURE IN BRAZIL. THIS WILL, OF COURSE, AFFECT AVAILABILITY OF INSURANCE FOR LARGER PROJECTS (I.E., OVER \$5 MILLION). CELANESE (APPLICATION NO. 512-74-414) AND DOW (APPLICATION NOS. 512-73-251/512-74-265) WERE RECENTLY ADVISED BY OPIC THAT COVERAGE OF THEIR PROPOSED INVESTMENTS WILL NOT REPEAT NOT BE AVAILABLE THROUGH AT LEAST THE END OF CY 1975. OPIC BOARD IS EXPECTED TO DISCUSS POSSIBLE NEED FOR FURTHER CRITERIA DIRECTED EXCLUSIVELY TO RISK MANAGEMENT CONSIDERATIONS AT SUBSEQUENT MEETING.

4. INVESTMENTS WITHIN THE RIO-SAO PAULO REGIONS WILL CONTINUE TO BE INELIGIBLE REPEAT INELIGIBLE FOR OPIC INSURANCE, SUBJECT TO EXCEPTIONS SPECIFIED IN PARAGRAPH 2 REFTEL.

5. EMBASSY IS WELCOME TO COMMENT ON THE ABOVE, PARTICULARLY AS TO WHETHER AND HOW WE SHOULD ADVISE THE GOB OF NEW OPIC CRITERIA. OPIC'S VIEW IS THAT THERE IS NO REPEAT NO NEED TO ADVISE GOB AT THIS TIME, ESPECIALLY PRIOR TO FORMULATION OF FURTHER RATIONING CRITERIA RELATED TO RISK MANAGEMENT. KISSINGER

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